

**TOWN OF NEWMARKET, NEW HAMPSHIRE  
BUDGET COMMITTEE**

**December 14, 2015 7:00 P.M.**

**TOWN HALL AUDITORIUM**

**PUBLIC HEARING: TOWN PROPOSED FY17 BUDGET**

MEMBERS PRESENT: Chairman David Foltz, Vice Chairman Michael "Mickey" Burns, William "Blue" Foster, Michael Lang, Dan Hill, Meg Louney-Moore, Daniel V. Smith, Jeff Raab, Town Council Rep Amy Thompson,

EXCUSED: Craig Dionne, School Board Rep Mike Kenison

ALSO PRESENT: Town Administrator Steve Fournier

**AGENDA**

Chairman Dave Foltz welcomed everyone present to the **Public Hearing** for the **Town Council Proposed FY17 Budget**, and called the meeting to order at 7:00 pm, followed by the Pledge of Allegiance.

**OLD BUSINESS**

**Approval of the Minutes of the Meeting of December 7, 2015**

Chairman Foltz stated that he had just received the minutes from the Budget Committee Meeting of December 7, 2015, and said they would address them at their next meeting on January 11, 2016.

**NEW BUSINESS**

**PROPOSED TOWN FY17 OPERATING BUDGET**

Town Administrator Steve Fournier stated that he was presenting the Town Proposed Operating Budget approved by the Town Council for the fiscal year ending June 30, 2017. He said tonight was the Public Hearing, and that the Deliberative Session would be held on January 30, 2016 with the Town at 9:00 am and the School immediately following at approximately 10:00 am.

Town Administrator Fournier said one of the first things they always looked at was the Consumer Price Index (CPI) to see how the economy was doing. He explained that CPI measured changes in price levels of consumer goods and services purchased by households. He stated that in July 2014 the National CPI increased 2%, with Northeast Regional up 1.8% and Boston up 1.7%. He said that in July 2015 the National CPI had increased only 0.2% over the prior year, Boston had increased 0.7%, and Northeast Regional had decreased 0.2%. He cited the continuing drop in the price of oil as the main reason, and added that Social Security would also not be giving a cost-of-living adjustment this year. He said the second thing they looked at were the Unemployment Rates, and said the National average had dropped

to 5.5% which was 1% lower than the prior year, with the County at 3.8%, the State at 3.5%, Portsmouth Metro at 3.1%, and Newmarket at a negligible 2.8%.

Town Administrator Fournier stated that the Current Tax Rate was \$24.96/1,000, with the largest portion to the School (61.74%) and 9.86% for the State School. He said he was here tonight to discuss the 24.12% portion for the Town, and said the County made up the remaining 4.29%. He provided a 10-Year Tax Rate Comparison and also showed the Tax Rates adjusted over the same period for inflation. He said that currently the tax rate was \$6.02/1,000, and that it would be \$6.82/1,000 if adjusted for inflation since 2006. He next addressed the Assessed Value of the Town, and said it was important as it was used to determine the tax rate. He stated that last year they had seen a significant decrease in value from \$744,537,983 to \$711,970,612, which they had expected due to the Town revaluation. He said that this year they did see an increase in value of \$10.5 million to \$742,476,271, which meant for every dollar on the tax rate the Town could raise \$722,000.

Town Administrator Fournier stated that the Town Council was recommending a bottom-line budget of \$9,996,942, or an increase of \$340,523 (3.5%) over the previous year budget of \$9,656,419. He said the Enterprise Funds were up \$62,293 and All Other Funds had increased \$278,230. He presented a breakdown of budget expenditures by fund, with the Town Council proposing a 3.5% increase for the General Fund to \$6,880,668. He said that Special Funds, which included the Library, Recreation Revolving, and Solid Waste, had increased \$47,809 (5%) to \$1,005,493. He said though the Enterprise Funds did not affect taxation, they did affect water and sewer payer rates, and said Water decreased \$14,238 or 1.5%, and Sewer was up \$76,531 or 6.95%. He next showed a percentage chart of the operating budget by fund with the General Fund at 54%, the Enterprise Fund at 37%, and Special Funds at 9%, and also provided a 3-year comparison of the funds.

Town Administrator Fournier next showed where the budget increase was going. He said that under Operational there was an increase in Health Care, which had a guaranteed maximum rate of 6% or \$58,758. He said though there was no increase in Retirement contributions for employees this year, there would be a Retirement increase of \$29,066, and that both Workers Compensation and Property Liability insurance were seeing increases of \$11,399 and \$13,660, respectively. He said they had increased the Merit Pool by \$10,000, Election Salaries were going up due to the number of elections, and Police Salaries were up as a result of the Collective Bargaining Agreement. He next addressed Capital Reserves with contributions of \$50,000 to replenish Building Improvements, \$25,000 each for Storm Water and the Macallen Dam, and \$18,666 for Recreation Facilities to improve aging playground equipment. He stated that Water & Sewer were both seeing increases due to the need to run two (2) plants in the next fiscal year, with contributions of \$25,000 for Sludge Disposal, \$60,000 for Electricity Wastewater, \$13,000 for Chemicals Wastewater, and \$10,000 for Lab Wastewater.

Town Administrator Fournier said they were estimating a 3% increase in Revenues or \$172,573, which would give a Total Revenue of \$5,615,346, due to increased in Motor Vehicle registrations, building permits, and planning applications. He next presented a slide of the Default Budget which would be approved by the Town Council at their next meeting on Wednesday. He explained that if the budget were to fail at the Town Meeting vote, the Default Budget would go into place. He said the Default Budget would be \$9,895,953 or \$100,989 less than the proposed budget and \$239,534 higher than last year. He explained that the Default Budget was determined by taking the previous year's budget, subtracting any one-time expenses, and adding all contractual obligations. Town Administrator Fournier cautioned that the next slide was only an estimate using data as we have today. He said that if the budget were to pass and the tax rate assessed, Gross Appropriation would be \$9,996,942. He said

Revenues (\$5,615,346) are then subtracted, and Overlay (\$20,000) and War Service Credits (\$168,500) added. He explained that Overlay was the amount of money they had to pay in abatements and that War Service Credits were exemptions received by Veterans. He said this brought the Net Town Appropriation to \$4,570,096, and that figuring in the Assessed Value, the Tax Rate would be \$6.33/1,000 or an increase of \$0.31/1,000. He stated that the Average Home Value was \$250,000, and that currently the Town portion of the tax bill was \$1,505 annually, and that the proposed Town portion of the tax bill would be \$1,582 annually, or a 5% increase of \$77 annually if the budget passed.

### **Public Forum**

Chairman Foltz opened the Public Forum at 7:13 pm, and asked if anyone from the public wished to speak.

As no one from the public came forward, Chairman Foltz closed the Public Forum at 7:13 pm.

Councilor Thompson made a motion to accept the Town Council Proposed Town FY17 Budget, which was seconded by Ms. Louney-Moore.

### **Discussion:**

Mr. Foster stated that though they were looking at a \$6.33 tax rate for FY2017, the “forecast” on page 59 of the Budget showed an increase of \$2.00 for FY18 to \$8.22. Town Administrator Fournier stated that he wanted to make it clear that the forecast was a worst-case scenario, as if they had no Fund Balance and all their revenues dried up. He added that while the exercise of having the 5-year forecast was included in the Operating Budget, it was actually separate and was only included for their information. Mr. Foster said that he understood it was a forecast based on worst-case scenario, but still felt the \$2.00 increase was an eye-opening experience as to what could happen. Town Administrator Fournier said he also included the contributions to the Capital Reserve Funds in the projections, using the numbers from the CIP Committee recommendations. Mr. Foster said he was concerned that they were going to have a sudden hike and the Town would then use the Fund Balance to buy down the tax rate as they had in the past. Town Administrator Fournier said in the past there were no laws in place forbidding the Town to do so, but that policies had been put in place to make them be 5-10% of their Fund Balance at all times. He said the Town Council could override that, but that he as the Town Administrator could not. Mr. Foster said he was also worried that there would be a sudden increase with the Public not understanding that it was going to happen, and Town Administrator Fournier said if that were the case he would make reductions in other areas. Mr. Foster said the current budget was very tight and he did not see where reductions could be made. Town Administrator Fournier explained that reductions would mean eliminations, though he could not say where. He said a worst-case scenario would be a perfect storm of Health Care rates going sky high, the Town losing all their revenues, and the markets and housing both crashing at the same time. He said there were some issues that would impact the Town such as having only one Health Care provider in the market and losing their Property Liability compensation. Mr. Hill said he felt the confusion was a result of calling the predictions a forecast, as a forecast and a worst-case scenario were two different things, and asked if there was some way to resolve this. Town Administrator Fournier stated this was the second time by law they were required to include a forecast, and said that if everyone was happy with the way the School did it, he would do the Town the same way.

Chairman Foltz felt the challenge was that sometimes it was difficult to even project a year out, and though they made 5-year projections, they would need to re-project if something changed. He said the worst-case scenario reflected the Town not having any revenues or fund balance and that based on where they were today, he did not feel that was going to happen. He said he agreed with Mr. Foster that the budget was tight and felt the Town Administrator was doing everything he needed to do. He said the problem was knowing some of the Town issues coming up that they knew they would have to take care of, and in trying to budget what they had to do with what needed to be done and what the public could afford. Town Administrator Fournier agreed, and said the Town had been putting off their Capital needs because of the 500-lb gorilla hanging over them, which was the School, and that they had been cutting and holding off until the facilities issue was addressed. He said they had put in for the new Waste Water Plant and the MacIntosh Well because they were desperately needed, but were holding off on other Capital items. He said it was good to plan that way as they did not want to present a Capital Road Bond the same year as a School Bond. He said the Operating Budget had also remained pretty flat, which meant less money going into the Fund Balance. He said when he arrived they were putting approximately \$1/2 million in the fund balance and were now putting around \$100,000 or less. He said that if they continued to carry a flat budget with no increases, reductions would have to be made as the cost of doing business would always go up.

Mr. Foster asked Town Administrator Fournier how his forecast differed with that of the Finance Director. Town Administrator Fournier said he did see some impact for the Town with the increases to Health Care, not only with having a single provider, but also due to coming Federal changes in regulations. He said he also saw Property Liability Insurance going up due to having only one provider, and said insurance companies no longer wanted to insure municipalities due to the high degree of liability. He said municipalities pooled their funds together in a trust, and that there was more than one pool to choose from until last year, with Property Liability Trust closing and Primex pulling out of the Health Care business. He said if the merger between Cigna and Blue Cross/Blue Shield goes through there would be only one market with two carriers. He said another large impact would be in the retirement system as they no longer received State contributions for Police and Fire, though they were required to be part of the State Department Retirement System, and said he had also seen continual increases in Employer rates for retirement. He stated that he also saw Capital increases, as the roads needed to be addressed. He said though the economy was strong now, they could see increases in rates or return of investments in the future. He said the investment in the Downtown had increased the value of the Town, and they could also see an increase in value if the School issue were finalized, but the increase in Town value could be offset by an increase in property values. He said he did not see adding new services, but rather increasing operational costs to maintain what they already had.

Mr. Raab mentioned the possibility of opening up the forecast to a larger discussion and taking it out of the budget, and asked Town Administrator Fournier who that would include. Town Administrator Fournier said the discussion would be between himself and the Finance Director by Charter, and said he would just pull the forecast out of the operating budget and present it to the Town Council and the Budget Committee as a separate document. Mr. Raab asked if having a joint forecast with the School had ever been discussed, and Town Administrator Fournier replied that the School was separate and not governed by the Town Charter. Chairman Foltz added that the School was also afraid to do any forecasting with the School facilities issue unresolved. Mr. Smith said though the FY18 forecast was discussed as a worst-case scenario, if he took out the Enterprise Funds, the revenue in 2018 decreased and the bulk of the increase was actually coming up on the cost side for compensation, other costs, and debt service. He asked if there was more conservatism here than just on the revenue side. Town Administrator said that the forecast also included the CIP Committee recommendations, and that there

was cash on hand for some of those expenses. As far as debt service, he said there were no plans for bonding, just the Downtown Capital Reserve Fund and land purchased for conservation.

Town Administrator Fournier stated that he wanted to make it clear that the Budget Committee was not approving the forecast at this meeting, but were there to approve the Proposed Town FY17 Budget of \$9,996,942. Chairman Foltz agreed that they were getting too caught up in the forecast as there was some concern that they were playing it too safe in 2017. He said they would be having the same discussion in 2018 as things were coming up which would definitely have an impact. He said there were a lot of factors coming up next year, such as the political election, which could change the whole landscape on insurance and everything and completely erase the forecast, and that they should stick to the current budget. Mr. Foster said he agreed they should look at the budget at hand, but that the forecast was part of the budget, and Town Administrator Fournier replied that it was a separate document. Chairman Foltz pointed out that some of the increases included debt from the Sewer and Water plants, and that rates would take care of some of it. Mr. Foster said that for 2014/2015/2016 and now 2017, the Finance Director had been pretty accurate as to where they were going to be, but that suddenly in 2018 there would be a \$2.00 increase. Town Administrator Fournier pointed out that there were no forecasts being done during those years, and said he saw them much closer in 2018 to the current operating budget, and that he also had to get the budget through the Town Council.

Town Administrator Fournier asked if ultimately they were saying that the FY17 budget was too low and needed additions. He said he had not brought the staff to address that issue tonight, because they were talking about the current budget. Mr. Foster said roads had been under-budgeted for a very long time, and asked if they were setting themselves up for a balloon years down the road by keeping a flat budget. Town Administrator Fournier agreed that there were things that the Town was not addressing, but said they would only have a \$2.00 increase if they paved all the roads right away. He said he did not want to ask for funds this year as he did not have the final road plan yet, and said he would not be asking for cash but for bonding, which would have a smaller impact. Mr. Hill asked what value there was in having the forecast in this document if it was not close to being accurate. Town Administrator Fournier replied that they had to do it by Law, but that next year it would not be included in the operating budget.

Chairman Foltz felt the discussion was healthy, but that in reality the budget was tight and had always come in within 1.5% every year. He said he did feel that they at least had a plan now and were planning better than in the past. Vice Chair Burns said they had gotten a refund back every year, and felt before they voted on the budget for FY17, they needed to think about using some of the money coming back to fund one of their larger efforts. Town Administrator Fournier explained they had not been getting Fund Balance from reductions in expenditures which was typical, but rather from revenues coming in higher. He said the Town Council had recommended the use of \$500,000 from Fund Balance, which brought them down to where they wanted to be at 8%. He said that last year, due to increased additional revenues, they had been able to increase the use of fund balance to \$575,000. He explained that the Fund Balance was included in the operating budget as they needed to think of it as part of the budget process. He said they also did not see the impact of taxes when voting on the budget, if there was no Fund Balance there the following year. He said he tried to look at the Fund Balance as the contribution to the Capital Reserve Funds, and felt he would rather do it that way and keep the tax rate and the budget as level as possible.

Vice Chair Burns asked if there were possible situations where they would need the Fund Balance and it would not be there to spend. Town Administrator Fournier said they definitely did not have enough fund

balance to finance the roads due to the extent of the project, and said he was not proposing any Capital projects at this time that would require a Fund Balance withdrawal. Chairman Foltz said that big expenditures were coming up, whether from the Town side or the School side. Town Administrator Fournier said most of their Capital projects, except roads, would be renovations or improvements and were not structural at this point. Mr. Smith said he saw a tremendous amount of need identified during the CIP process, but felt the spending plan was totally disconnected from the need as specific plans had not yet been provided from Department Heads. Town Administrator Fournier replied that the Department Heads did provide a plan of what they needed through CIP, but said he felt that no one, including the CIP Committee, had taken into consideration withdrawing the funds from the current Capital Reserve accounts. He again explained that the job of the CIP Committee was to forecast and make recommendations on what needed to be done for Capital projects, but it was up to the Town Administrator to make the proposal on what should be spent. He reiterated that many of the projects listed could be done now using current Capital funds, and said because that was not considered in the proposal by the CIP Committee, the cut between the CIP budget and his budget seemed drastic. He said they needed to continuously improve their facilities, but also needed to maintain the funds they already had. He said once the Department Heads provided plans for using their current Capital funds, they would need Council approval, and added that having fixed Capital contributions as in some larger communities would not work with their type of government. Town Administrator Fournier felt they were seeing more planning now in the document and felt the document would continue to be refined and get better.

As there was no further discussion, Chairman Foltz polled the Budget Committee, and the motion to approve the Proposed Town FY17 budget of \$9,996,942 passed by a vote of 9-0.

Town Administrator Fournier stated that the budget would now go on the ballot, though the vote was not unanimous as 2 members of the Committee were not present.

Chairman Foltz thanked Town Administrator Fournier for his presentation.

## **OTHER BUSINESS**

### **Adjournment**

Mr. Hill made a motion to adjourn the meeting, which was seconded by Mr. Smith. The meeting for the Public Hearing of the Town FY17 Budget was adjourned at 7:56 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary

**Approved February 1, 2016**